



MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on
Tuesday, October 27, 2009
980 9th Street, Conference Center, 2nd Floor
Sacramento, California 95814

Chairwoman Marjorie Berte called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 1:30 p.m.

1. Call To Order and Roll Call.

The following Board members were in attendance:

Marjorie Berte represented the Secretary of the Business, Transportation and Housing Agency.

Fred Aguiar, Secretary of the State and Consumer Services Agency.

Tom Sheehy, represented the Director of the Department of Finance.

Francisco Lujano represented the State Treasurer.

D. Everett Rice, Governor's appointee was absent.

The following I-Bank staff members were in attendance:

Stanton C. Hazelroth, Roma Cristia-Plant, Molly Arnold, and Paula Connors.

2. Executive Director's Report.

Executive Director, Stan Hazelroth presented the Executive Director's Report and stated the following:

- He participated in an advisory committee meeting to The Little Hoover Commission on Wednesday, October 21st. The advisory committee is reviewing the coordination of the state's economic development programs and services.
- The I-Bank staff has begun the process of assembling a finance team to proceed with the issuance of up to \$13 million of State School Fund Apportionment Lease Revenue Bonds for King City Joint Union High School District which is facing fiscal and cash insolvency. Staff is working with staff from the Department of Finance, Department of Education and the State Treasurer's Office to facilitate the issuance of the bonds.
- A copy of the decision of the Court of Appeal dismissing the Hollywood Park Land Company's appeal was received in the I-Bank office. The Hollywood Park litigation challenged the tribal compact asset sale and related bonds. Based on the history of the Hollywood Park case, it is expected that the appellant will seek review of the decision by the State Supreme Court.
- The I-Bank's response to the complaint involving the COPIA Claims LLC, securities fraud litigation related to the 2007 COPIA bond transaction (2007 Bonds) is due December 4th. An amended complaint has been filed and does not name the bond insurer or the bond trustee as defendants. The sole remaining defendants in the complaint are the I-Bank and bond counsel for the 2007 Bonds, Orrick, Herrington & Sutcliffe.

Consent Items:

3. Approve minutes from the meeting held on September 29, 2009.

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve this consent item. Mr. Sheehy moved to approve the minutes and Mr. Lujano seconded the motion. The minutes were approved by Chairwoman Berte, Mr. Sheehy, Mr. Lujano and Mr. Rice. Mr. Aguiar abstained, and indicated that he was not present at the September meeting.

Action Items:

4. Resolution No. 09-41 approving the sale, issuance and delivery of tax-exempt 501(c)(3) revenue bonds for Goodwill Industries of the San Joaquin Valley in an amount not to exceed \$1,850,000 to finance the acquisition of economic development facilities in Modesto, California.

Ms. Connors presented a staff report describing the request to approve the issuance of tax-exempt 501(c)(3) revenue bonds for Goodwill Industries of the San Joaquin Valley to finance a second thrift store and training center in Modesto. Ms. Connors reported that the bond proceeds will refinance an interim taxable bank loan that was used to purchase and equip a vacant retail building. Ms. Connors introduced David Miller of Goodwill Industries; Sam Balisy, of Kutak Rock LLC, bond counsel; and Dan Bronfman, financial advisor.

Chairwoman Berte called for questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 09-41. Mr. Aguiar moved to approve the resolution and Mr. Sheehy seconded the motion. The Board unanimously approved the resolution.

5. Resolution No. 09-42 approving the amendment of a loan agreement among WFC Holding Corporation, the I-Bank and RRR Real Estate Company, LLC, RBR Meat Company, Inc., Rose & Shore, Inc. and Rite-Way Meat Packers, Inc., collectively as the borrower, in order to adjust certain terms of the loan made pursuant thereto in 1999 in the original principal amount of \$5,400,000 that financed an economic development project in the City of Vernon, California.

Ms. Connors presented a staff report describing the request to approve an amendment of a loan agreement in order to adjust certain terms of the \$5,400,000 loan made by the I-Bank in 1999 for a project involving the RBR Meat Company, Inc.. She explained the amendments include a new interest rate calculation mechanism, modifications to certain financial coverage covenants and prepayment provisions, and provide terms required by the provider of a new interest rate hedge agreement. Ms. Connors then introduced Sam Balisy, of Kutak Rock LLC, bond counsel.

Chairwoman Berte called for questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 09-42. Mr. Sheehy moved to approve the resolution and Mr. Lujano seconded the motion. The Board unanimously approved the resolution.

6. **Resolution No. 09-43 approving the amendment of certain documents for the primary purposes of providing additional security for and extending the maturity date of the California Infrastructure and Economic Development Bank's tax-exempt and taxable Variable Rate Demand Industrial Development Revenue Bonds, (IWorks US, Inc. Project), Series 2008A and 2008B, respectively, originally issued in 2008 in the aggregate principal amount of \$3,200,000 that financed an economic development project in the City of Commerce, California.**

Ms. Connors presented a staff report requesting approval of an amendment of certain documents related to bonds issued by the I-Bank in 2008 for the IWorks project that will extend the maturity date and add a confirming letter of credit from Federal Home Loan Bank. Ms. Connors explained the terms of the amendment and outlined the interest rate savings and tax benefits. Ms. Connors also reported that a TEFRA hearing was held on October 23, 2009 with no comments received. Ms. Connors introduced Sam Balisy, of Kutak Rock LLC, bond counsel.

Mr. Sheehy asked whether the borrower had experienced any downturns in revenue in the current market. Mr. Balisy responded that he understood that sales had slowed, but also indicated the company has a stable list of clients for its specialized products.

Chairwoman Berte called for any additional questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 09-43. Mr. Aguiar moved to approve the resolution and Mr. Lujano seconded the motion. The Board unanimously approved the resolution.

7. **Resolution No. 09-44 establishing a list of legal counsel firms eligible for appointment by the Executive Director as bond counsel, co-bond counsel or disclosure counsel for one or more future pooled bond issuances undertaken by the California Infrastructure and Economic Development Bank.**

Ms. Connors presented a report on the establishment of a list of legal counsel firms eligible for appointment by the Executive Director as bond counsel, co-bond counsel or disclosure counsel for one or more future pooled bond issuances. Ms. Connors explained that ARRA legislation created new municipal bond products that to the I-Bank may cost-effectively and efficiently pool or aggregate on behalf of local governments. Ms. Connors discussed the request for qualifications selection process conducted by staff, and stated that staff recommended all fifteen firms that applied be included on the list, with two of the firms to perform only co-bond counsel or disclosure counsel services, if selected. Ms. Connors then introduced representatives of the firms that were present at the meeting: Hawkins, Delafield and Wood; Stradling Yocca Carlson and Rauth; Chapman & Cutler; and the combined law firms of Ron Lee and Perry Israel.

Chairwoman Berte called for any additional questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 09-44. Mr. Sheehy moved to approve the resolution and Mr. Aguiar seconded the motion. The Board unanimously approved the resolution.

8. Resolution No. 09-45 appointing one or more firms to serve as special counsel to the California Infrastructure and Economic Development Bank, and authorizing a legal services contract with each firm for a term not to exceed 36 months, in each case in an amount not to exceed \$75,000.

Ms. Arnold reported that staff re-issued the request for qualifications for special counsel in order to stimulate greater price competition. Eight statements of qualifications and rate proposals were received ranging from \$460 per hour to \$525 per hour, but following subsequent negotiations, three firms agreed to provide services at \$460 per hour for a contract period of two years.

Ms. Arnold reported that I-Bank staff recommended the appointment of Hawkins, Delafield & Wood LLP, Stradling, Yocca Carlson & Rauth, and a new firm, the combined firm of Ronald E. Lee, Attorney at Law and the Law Office of Perry Israel, each for a period of two years. Staff proposed a contract amount of \$50,000 for Hawkins, Delafield & Wood LLP, and \$75,000 for each of the other firms. Ms. Arnold reported that the contracts had been exempted from the contract reductions of the Governor's Executive Order S-09-09 and that sufficient funding exists in the 2009/2010 I-Bank budget to encumber the amounts required for the contracts.

Chairwoman Berte called for any additional questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 09-45. Mr. Aguiar moved to approve the resolution and Mr. Sheehy seconded the motion. The Board unanimously approved the resolution.

9. Discussion of the Status Report on the Preliminary Loan Guarantee Commitment approved for the Imperial Irrigation District (IID) on June 27, 2003, and the status of the IID's request for approval of a final Loan Guarantee, and discussion related thereto.

Mr. Hazelroth reported since the last Board meeting, the I-Bank had received IID's formal final loan guarantee application, which was supplemented with additional information on October 1st. Staff had reviewed the application and determined it to be substantially complete. Staff subsequently sent a letter to the IID requesting additional information and clarification of several items, and the IID has agreed to meet with I-Bank staff on November 2nd to discuss remaining items. Mr. Hazelroth informed the Board that there are three key unresolved policy issues involving:

- The total amount of the Loan Guarantee;
- The provisions for reimbursement and indemnification of the I-Bank should the Loan Guarantee be drawn upon; and,
- The specific conditions that trigger an event of a draw on the Loan Guarantee.

Mr. Hazelroth further explained that: I-Bank staff have also indentified several pending litigation matters that may delay the issuance of the IID bonds to which the guarantee would apply; outside counsel has been engaged to help with drafting of the final loan guarantee agreements; and, staff continues to work with the IID to resolve the outstanding items. Mr. Hazelroth assured the Board that they would be apprised of any further updates related to the IID loan guarantee.

Chairwoman Berte called for any additional questions or comments from the Board or the public.

Board Member comments included questions regarding conditions of the loan guarantee and reimbursements. Mr. Hazelroth and Ms. Arnold provided information to the Board about the preliminary loan guarantee commitment terms originally approved by the Board in 2003.

Several members of the public also provided comments. Michael Morgan of Brawley, a land owner, commented that land owners and farmers of Imperial Valley were not informed of the loan guarantee until shortly before the I-Bank Board Meeting. Ronnie Leimgruber, a farmer from the Imperial Valley, expressed concerns that the farmers and land owners do not have money to repay any draws on the loan guarantee if there is one, and that they were informed by the IID that the loan guarantee has to be completed by the end of 2009. Victor Rombaut, a landowner from Holtville, also expressed his concern that the Imperial Valley's land owners and farmers were not in favor of the IID loan guarantee.

Brian Brady, General Manager of the Imperial Irrigation District, stated that the IID is looking forward to meeting with the I-Bank staff and that the IID has been communicating with land owners and farmers of the benefits of the guarantee.

Other Non-Action Business.

Chairwoman Berte called for any other non-action business. There was none.

Public Comment.

Chairwoman Berte called for any public comment. There was none.

Adjournment.

Chairwomen Berte declared the meeting adjourned at approximately 2:30 p.m.